

THE DEPARTMENT OF DEFENSE  
FINAL IMPLEMENTATION REPORT  
FOR  
THE NATIONAL DEFENSE AUTHORIZATION ACT  
FOR  
FISCAL YEAR 2008  
SECTION 904  
MANAGEMENT OF THE DEPARTMENT OF DEFENSE  
JULY 25, 2008



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This report on the implementation of National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2008, § 904 “Management of the Department of Defense,” presents the consensus recommendations of the Department’s senior management team on the assignment of duties for the Chief Management Officer (CMO), the Deputy Chief Management Officer (DCMO), and the Military Department CMOs, as well as summarizing the Department’s inaugural Strategic Management Plan.

Since the Department’s last correspondence on this subject, dated May 11, 2007, by the Deputy Secretary of Defense, the Department has continued to transform its business operations to better support our Armed Forces, which has been a long-term, shared objective of the Department and of Congress. The Department is confident that the implementation of § 904 will help to mature its ongoing efforts in this area.

### **The CMO of the Department of Defense**

In May 2007, the Secretary of Defense decided to use his discretionary authority to designate the Deputy Secretary of Defense as the Chief Management Officer of the Department of Defense. Accordingly on September 18, 2007, the Deputy Secretary’s chartering DoD Directive was revised to reflect the responsibilities of the DoD CMO.

In the Directive, the Secretary of Defense assigned these duties to the CMO:

- Ensure Department-wide capability to carry out the strategic plan of the Department of Defense in support of national security objectives
- Ensure the core business missions of the Department are optimally aligned to support the Department’s warfighting mission
- Establish performance goals and measures for improving and evaluating overall economy, efficiency, and effectiveness and monitor and measure the progress of the Department
- Develop and maintain a Department-wide strategic plan for business reform<sup>1</sup>

Subsequently, the NDAA for FY 2008 added a new subsection to 10 USC § 132 designating the Deputy Secretary of Defense as the DoD CMO.

The statutory designation and the Secretary’s discretionary authority are in alignment to reinforce and institutionalize the designated duties of the senior official primarily accountable for the management of the Department’s business operations.

### **DCMO of the Department of Defense**

Because of the difficult and lengthy search to identify, screen, and then to nominate and confirm a qualified candidate, coupled with the short time left to serve, there likely will not be a nominee for DCMO before the end of this Administration. In preparation for the nomination and confirmation of the first DCMO, the Department has established an office of the Deputy Chief Management Officer and appointed a career senior executive to lead a full office standup, including the drafting and issuance of a

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<sup>1</sup> Department of Defense Directive (DoDD) 5105.02; Deputy Secretary of Defense; <http://www.dtic.mil/whs/directives/corres/pdf/510502p.pdf>

DCMO chartering DoD Directive, by October 1, 2008. The initial stand up of this office is effective August 1, 2008. The office will maintain continuity of business transformation activities through the transition to a new Administration to include remaining responsive to Congress on requisite deliverables.

### **Duties of the DCMO**

The DCMO, when confirmed and appointed, will be the Principal Staff Assistant (PSA) and advisor to the DoD CMO for matters relating to Defense-wide business operations. The DCMO will oversee a small element outside of the Secretary's immediate office.

Assisting the Deputy Secretary of Defense in his CMO capacity, the DCMO will:

- Recommend actions to better synchronize, integrate and align business operations of the Department
- Develop and periodically update the DoD Strategic Management Plan
- Supervise the Director of the Business Transformation Agency

Additionally, the Office of the DCMO will oversee the responsibilities of the Performance Improvement Officer, as specified in Executive Order 13450.<sup>2</sup> These duties include developing enterprise performance goals, synchronizing strategic plans, and reporting on performance results.

### **DCMO Relationship with Military Department CMOs**

The DCMO will consult and collaborate with the CMOs of the Military Departments in identifying common issues relating to the management and improvement of business operations within and among their respective Departments. As the DCMO implementation moves forward, the Department will work to solidify and align these new relationships.

### **Military Department CMO Duties and Responsibilities**

The Military Departments are each establishing their respective CMO offices on independent but synchronized timelines. Specific roles and responsibilities for individual CMOs will vary by Military Department, but each are working to align existing business transformation and performance improvement responsibilities with their new CMO position and that of the larger CMO activities.

#### **Department of the Army**

The Secretary of the Army has designated the Under Secretary of the Army as the Army's CMO. The Army CMO shall have such duties and authorities as are necessary to effectively and efficiently organize the business operations of the Department of the Army. The Army CMO will be assisted by a Deputy CMO, a career senior executive

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<sup>3</sup> Executive Order 13450; 72 Federal Register 64,519 (November 15, 2007); Improving Government Program Performance, signed November 13, 2007.

who will also serve as the Deputy Under Secretary of the Army for Management and as Deputy Director of the Army Enterprise Task Force.

As an initial step in its implementation, the Army will align business transformation and performance improvement roles and responsibilities under the CMO. The Army CMO/DCMO will consult and collaborate with the DoD CMO/DCMO in identifying common issues relating to the management and improvement of Army business operations.

### **Department of the Navy**

On April 30, 2008, the Secretary of the Navy designated the Under Secretary of the Navy as the Department of the Navy (DoN) CMO. In the absence of an Under Secretary of the Navy, the Assistant Secretary of the Navy for Financial Management and Comptroller was designated as the acting CMO and Chairman of the DoN's Business Transformation Council (BTC).

On June 23, 2008, the BTC approved a timeline leading to the expected completion of a DoN CMO Implementation Plan, Strategic Management Plan, and Business Transformation Portfolio by October 1, 2008. Additionally, the DoN plans to establish the position of DoN DCMO on or about September 1, 2008.

### **Department of the Air Force**

The Acting Secretary of the Air Force, recognizing that the Office of the Under Secretary of the Air Force is vacant, will soon designate a senior leader to perform the duties of the CMO. Additionally, the Air Force intends to establish the position of Deputy CMO within the Under Secretary's office and, where feasible, to consolidate existing business improvement processes under a common umbrella of CMO activities.

In preparation for the implementation of Section 904, the Air Force has worked to fully document its existing governance processes, benchmarked with the private sector, and formed a cross-functional workshop team, comprised of senior leaders, to define the roles and responsibilities of the CMO within the Air Force. The Air Force is confident that as it continues to actively work to implement Section 904, its current, robust governance processes support the intent of the law.

### **Extending CMO Presence into Governance**

DoD Directive 5105.79, "DoD Senior Governance Councils," dated May 19, 2008, includes the DCMO as a member of the Department's three primary senior governance bodies. These bodies, the Defense Senior Leadership Conference (DSLCC), the Senior Leader Review Group (SLRG), and the Deputy's Advisory Working Group (DAWG), are the principal integrated civilian-military governance bodies of the Department. Together they manage, oversee, and synchronize all DoD Component activities in a transparent and collaborative manner to: promote unity of effort; ensure effective support to Combatant Commands; integrate civilian and military perspectives; provide efficient and effective development, coordination, and implementation of DoD policies and programs; and share information on matters of mutual interest in a timely manner.

In addition, the Charter for the Defense Business Systems Management Committee (DBSMC) is being modified to add as members the DCMO, the Military Department CMOs, and other senior officials as needed to address an expanded management agenda.

### **Strategic Management Plan (SMP)**

Strategic direction for the Department is developed by the Secretary of Defense through the Quadrennial Defense Review (QDR) process. The inaugural SMP, submitted to Congress concurrently with this Implementation Plan, provides an executive overview of the governance and management framework and supporting processes used by the Deputy Secretary of Defense, acting as CMO, to deliver effective and efficient support to the warfighter in support of the goals of the QDR. The inaugural plan is a first step toward providing Congress the comprehensive document mandated in §904 of the FY 2008 NDAA and will serve as a framework for future updates to fully address the requirements of §904. Of the five components mandated by §904, two are included in this inaugural document; the remaining three are expected to be addressed by the incoming Administration in the July 2009 update.

#### **§904 Requirements included in the inaugural SMP**

- Procedures to approve plans and budgets for changes in business operations
- Procedures to monitor the progress toward meeting performance goals and measures
- Procedures to oversee all budget requests for defense business systems

#### **§904 Requirements to be addressed in the July 2009 update to SMP**

- Performance goals and measures for improving and evaluating the overall efficiency and effectiveness of the business operations
- Key initiatives to be undertaken in meeting performance goals and measures

### **Transition and the Office of the DCMO**

Last year, Congress received testimony by both Administration and Legislative Branch officials highlighting their concern with maintaining an integrated Departmental management process through the transition of Presidential Administrations.<sup>3</sup> The Office of the DCMO was posited as a mechanism to ensure the continuity of business transformation between Administrations. This task will be accomplished through the formalized Transition Team established by the Secretary of Defense.

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<sup>3</sup> SASC Senator Akaka Hearing on Federal Agency Management Reform, December 13, 2007; HASC Representative Skelton Hearing on Department of Defense Management, June 26, 2007; HASC Representative Skelton Hearing on Department of Defense Roles and Missions Requirements, June 20, 2007

The Department acknowledges that continuing the management reforms undertaken over the past 8 years is critical, especially since this is the first transition of an administration in 40 years during a time of war. As such, maintaining continuity of the business enterprise and its support to the warfighter is imperative. For that reason, the Department has acted to stand up an office of the DCMO, in preparation for the eventual confirmation of a DCMO.

Within 60 days, the Department will issue a chartering DoD Directive for the DCMO. This Directive will formalize the duties as detailed above. This assignment of duties will recognize the discrete roles and relationships among the DCMO, CMO, and the functional owners of the business operations of the Department. At the same time, it will provide a flexible foundation for the next Administration to continue to reform the Department's management practices.